

Talking Points
Legislative meeting
Tuesday, December 16, 2008

We're only 13 working days from the beginning of the 2009 Regular Session, so if you're not already thinking about budgets and the economy, time is getting short.

As is now obvious, our country is in a recession. And this recession is likely to be deeper and longer than any recession experienced in the United States since the late 70's.

As we have seen with Toyota's announcement and job losses in many sectors, and heard today at the Economic Conference, Mississippi is not immune to our country's economic problems.

It's said that misery loves company, and if that's true we're certainly not alone.

In fiscal 2008, 13 states reduced their enacted budgets, by \$3.6 billion.

So far in fiscal 2009, 22 states have cut their enacted budget by \$12.1 billion, with another five forecasting cuts.

31 states have reported budget gaps totaling \$29.7 billion for fiscal 2009 since budget enactment.

Our neighboring states (Alabama, Louisiana, Arkansas and Tennessee) are all running budget deficits.

- Alabama: Governor Bob Riley announced yesterday (12/15) a Deficit Prevention Plan that includes cuts of 10 percent in the current fiscal year to state agencies and - with the withdrawal of half of the amount

- available from the Rainy Day Fund for education – an effective proration rate of nine percent in the education budget. The plan also includes a hiring freeze on state workers, a freeze on state employee merit pay raises, stopping the purchase of new state vehicles and other measures.
- Louisiana: The Louisiana Revenue Estimating Conference adopted a \$341 million revenue shortfall Monday, (12/15) for the current-year state budget and a revised revenue estimate that creates a projected \$2 billion shortfall for Fiscal Year 2010 today. Governor Jindal announced his Administration's efforts to reduce discretionary, non- discretionary, and statutory funds. He also stated that raising taxes is not an option nor is use of the Rainy Day Fund.
 - Tennessee: The State Funding Board establishes revenue estimates for Tennessee, and the range of reduction over the original budget estimate for the current year is a shortfall of between \$946 million and \$1.084 billion in total state taxes, and \$885 million and \$1.023 billion in the General Fund. Tennessee has made reductions in the prior year that still left them having to take \$284 million out of reserves in order to close. Looking to next fiscal year, the Funding Board estimates a loss of between \$712 million and \$1.001 billion, and they have about \$190 million in expenses the Tennessee budget officer believes must be met regardless of economic circumstance.

Our central theme in the coming session is this: These are challenging times that demand tough, responsible, conservative action.

Budget

Adopt a balanced budget that includes prudent spending reductions; appropriate revenue increases and responsible use of only a portion of the Rainy Day Fund.

We must draw a line in the sand on preserving the rainy day fund in anticipation of two to four years of recession. I believe we should use no more than one-quarter of the fund per year so it will last four years.

My Executive Budget Recommendation (EBR) for Fiscal Year 2010 proposes using \$84 million in rainy day funds – or about 22 percent – leaving \$292 million.

Targeted budget cuts. The EBR proposes \$87 million in targeted budget cuts.

Revenue estimates from increased tobacco taxes must be realistic and take into account reduced demand that results from higher prices.

EBR proposes \$80 million in new revenue from tobacco taxes.

- 24 cent cigarette tax increase, nets \$58 million.
- 43 cent equity payment, nets \$16.6 million.
- changing smokeless tobacco tax to weight-based, nets \$4.3 million

Medicaid/Health

Hospitals must pay the \$90 million assessment that they initially proposed and have paid for years.

Not responsible to spend \$90 million from the state's budget during an economic slowdown when this funding could be applied toward other critical areas, like education.

SB 2013, which was a compromise crafted by the Hospital Association and which passed the Senate overwhelmingly, offers a fair, sustainable, permanent solution. I am open to

other alternatives so long as they include the \$90 million from hospitals paying their fair share.

Medicaid is up for reauthorization. Get ready for a fight.

My record of managing Medicaid is one of responsible stewardship. That will not change. I remain committed to saving money in Medicaid. Expect to go out with an RFP for coordinated care in January 2009, with implementation in July.

Our state has an unacceptably high rate of underinsured citizens. We need to make health insurance less expensive and more accessible. I hope the Legislature will reconsider the health exchange that I proposed last year. And look at other ways to make health insurance less expensive and more accessible, *like reducing mandates in health insurance*.

Closing

We know funding is limited, but there is no limit on creativity when it comes to new ideas on how to make government more efficient and effective.

Mississippi needs your ideas and leadership.

In the 2007 campaign I said we are moving forward together. Next year we will either continue moving forward together or we will all sink together – and sinking is not an acceptable option.